

Losses and Special Payments Procedure

Issue Date	Review Date	Version
October 2019	November 2022	2.1

Purpose

To ensure that losses and special payments are minimised through correct identification, reporting and risk management in line with Trust Standing Financial Instructions.

Who should read this document?

All staff with responsibility for holding or accounting for cash, staff or patient property.
 All staff with debt management responsibilities.
 All staff who have identified a loss of cash or damage to Trust or patient property.
 All staff who are presented with a claim for compensation of any kind.

Key Messages

The treatment of Losses and Special Payments must be in compliance with the Treasury Policy and the Trust Standing Financial Instructions and Scheme of Delegation.

Following this procedure will ensure that the treatment of losses and special payments are compliant with these key documents.

Core accountabilities

Owner	Financial Controller
Review	Audit Committee
Ratification	Director of Finance
Dissemination	Financial Controller
Compliance	Chief Financial Accountant

Links to other policies and procedures

[Department of Health Finance Manual – 12 Losses and Special Payments](#)

[Counter Fraud Policy](#)

[Management of Patients Property Policy](#)

[Salary Overpayments/Underpayments Policy](#)

Version History

1	September 2012	
2	November 2017	Updated
2.1	October 2019	Small Amendment

The Trust is committed to creating a fully inclusive and accessible service. Making equality and diversity an integral part of the business will enable us to enhance the services we deliver and better meet the needs of patients and staff. We will treat people with dignity and respect, promote equality and diversity and eliminate all forms of discrimination, regardless of (but not limited to) age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage/civil partnership and pregnancy/maternity.

An electronic version of this document is available on Trust Documents on StaffNET. Larger text, Braille and Audio versions can be made available upon request.

Standard Operating Procedures are designed to promote consistency in delivery, to the required quality standards, across the Trust. They should be regarded as a key element of the training provision for staff to help them to deliver their roles and responsibilities.

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Standard Operating Procedure (SOP)

Losses and Special Payments

1 Introduction

- 1.1 Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise.
- 1.2 Everyone has a responsibility for the security of Trust property, property of patients and for avoiding loss.
- 1.3 In considering losses and special payments, it is important always to look beyond whether the proposed write off or payment represents value for money. The need for corrective action must also be carefully assessed, including any wider lessons for the NHS as a whole, to minimise the number (and cost) of future cases.

2 Definitions

Losses

- 2.1 The prevention of loss is a prime requirement of sound financial control, and control systems should be designed to achieve this. Losses do nevertheless occur. But internal checks, regular supervision and internal audit must be used to ensure these are minimised.
- 2.2 All losses where theft or arson is witnessed or suspected should be reported immediately to the Local Security Management Specialist (LSMS) Andrew Davies andrew.davies12@nhs.net or Jo Wooley jwoolley@nhs.net.
- 2.3 All losses where fraud is suspected should be reported to the Local Counter Fraud Specialist (LCFS) Tracy Wheeler tracy.wheeler2@nhs.net
- 2.4 Whenever a loss is reported to the LSMS or LCFS they will consider whether the police should be notified.
- 2.5 Losses caused by theft, arson, neglect of duty or gross carelessness (unless trivial) will be reported to the Audit Committee and the External Auditor by the Director of Finance.
- 2.6 Losses include
 - loss of cash
 - payroll overpayments
 - fruitless payments
 - bad debts (sub categorised into private patients, overseas visitors and other)
 - loss/damage to other assets including obsolete or wasted stock

Special payments

2.7 Special payments are those which fall outside the normal day-to-day business of the Trust, or those for which no statutory authority exists. Special payments should only be authorised after careful appraisal of the facts. The Trust should satisfy itself that there is no feasible alternative to making a special payment. In dealing with individual cases the Trust must always consider the soundness of its control systems, the efficiency with which they have operated, and take any necessary steps to put failings right.

2.8 Special payments include:

compensation payments made under legal obligation

Payments fall into this category only if a clear liability exists as a result of a court order or a legally binding arbitration award. Payments into court, and out of court settlements are not payments made under legal obligation. The category can include compensation for injuries to persons, damage to property and unfair dismissal.

ex gratia payments - personal injury claims

Ex gratia payments are payments which the Trust is not obliged to make or for which there is no statutory cover or legal liability. Out of court settlement of personal injury claims fall into this category.

ex gratia payments – maladministration

In most cases of maladministration there is unlikely to be any legal obligation to pay compensation, and any payment would, as a result, be ex gratia. Such payments may arise:

as a result of a recommendation by the Ombudsman or similar authority

in other cases, where the Trusts considers that the effect of official failure may justify a payment.

The term 'maladministration' is generally interpreted as including "bias, neglect, inattention, delay, incompetence, ineptitude, perversity, turpitude and arbitrariness" and typically includes expenses incurred in connection with cancelled operations or clinics.

ex gratia payments – loss of or damage to personal effects

Patients should be discouraged from bringing valuables into hospital with them, and the Trust should make payment only where it is clear that it has been at fault and there is evidence of the value that should be recompensed. See policy on Patients' Property.

3 Regulatory Background

3.1 A report of losses and special payments will be completed every six months and submitted to the Audit Committee for review. All losses and special payments exceeding £100,000 must be reported to the Board.

4 Key Duties

The Director of Finance has executive responsibility for ensuring that there is a robust process in place for the authorisation and reporting of Losses and Special Payments.

It is the responsibility of all staff to ensure that any losses identified, or special payments required, are approved and reported following the Trust's procedure.

It is the responsibility of the Trust's Chief Accountant to ensure that all Losses and Special Payments reported have followed the procedure and been correctly approved and are reported to the Audit Committee.

It is the responsibility of the Trust's Local Security Management Specialist (LSMS) to ensure that any reported instances of theft or arson are appropriately followed up and any underlying security issues are addressed.

It is the responsibility of the Trust's Local Counter Fraud Specialist to ensure that any reported instances of suspected fraud are appropriately followed up and any weaknesses in the control environment are addressed.

5 Procedure to Follow

5.1 Cash losses – procedure

- 5.1.1 Loss of cash identified by the Cashiers or petty cash holders must be notified immediately to the Treasury Team leader. Other losses, such as those of patients' cash retained on the ward, should be reported to the Chief Financial Accountant.
- 5.1.2 If the value, repetition, or any other circumstance around the loss is suspicious then, depending on the circumstances of the loss (theft or fraud), the LSMS or LCFS should be notified.
- 5.1.3 Datix forms should be completed for all losses of patients' cash and any other losses that have merited referral to the LSMS or LCFS.
- 5.1.4 If the loss exceeds £5,000 the Checklist for Losses over £5,000 (Appendix 1) must be completed and returned to the Chief Financial Accountant.

5.2 Payroll overpayments - procedure

- 5.2.1 The procedure for the recovery of payroll overpayments is covered in detail in the HR policy on this subject. Where the employee has left the Trust the debt will be invoiced, and any write offs dealt with as per the guidance given in the bad debt category below.
- 5.2.2 Where the employee remains in the employment of the Trust all agreed overpayments will be recovered. Where the dispute process results in the cancellation of an overpayment this will not be recorded in the losses register.
- 5.2.3 If the loss exceeds £5,000 the Checklist for Losses over £5,000 (Appendix 1) must be completed, approved by the Service Line Manager and returned to the Chief Financial Accountant.

5.3 Fruitless payments - procedure

- 5.3.1 All fruitless payments, such as refundable rail tickets bought for a course which is subsequently cancelled for example, should be notified to the Chief Financial Accountant for inclusion in the losses register and reporting to the Audit Committee.
- 5.3.2 Significant fruitless payments (exceeding £5,000), such as abandoned capital schemes, must be approved for write off by the Director of Finance. The losses checklist (Appendix 2) should be completed by the Project Manager, approved by the Associate Director of Finance and submitted to the Director of Finance who will decide whether or not the loss is significant enough to be discussed at Board level before write off.

5.4 Bad debts - procedure

- 5.4.1 The Treasury Team Leader will review the sales ledger several times a month and maintain dialogue with Shared Business Services (SBS) to ensure that proper chasing action of all debt is taken, including referral to external debt recovery and court action where appropriate. See also procedure notes prepared by SBS.
- 5.4.2 Where it is clear that the costs of chasing a debt will exceed any recovery, for example where the debtor is untraceable, details will be sent monthly to the Chief Financial Accountant, who will complete a request for write off form and send to SBS for action. All write offs will be recorded in the losses register and reported to the Audit Committee twice a year.
- 5.4.3 The Chief Financial Accountant and Financial Controller are authorised to approve debt write offs up to £5,000. Where an individual write off is greater than £5,000 the losses check list (Appendix 3) should be completed by the Treasury Team Leader and approved by the Chief Financial Accountant before submission to the Director of Finance for write off authorisation.

5.5 Damage to buildings, their fittings, furniture and equipment and loss of equipment and property in stores - procedure

- 5.5.1 All significant damage to buildings, fittings, furniture and equipment should be notified to the Chief Financial Accountant. Where the value of the loss appears to approach or exceed £20,000 the Chief Financial Accountant will liaise with the NHS Litigation Authority in respect of any insurance claim and keep the Director of Finance informed as to progress. These and losses with a lower value will all be recorded in the losses register.
- 5.5.2 Stock write offs must all be notified to the Chief Financial Accountant for entry in the losses register. These will include the regular Pharmacy out-of-date and wastage write offs, and the Genesis write offs.
- 5.5.3 If a stock write offs exceeds £5,000 the Losses Checklist (Appendix 4) must be completed by the manager of the operational area concerned, submitted to the Chief Financial Accountant will forward this to the Chief Procurement Officer for sign off.

5.6 Compensation payments made under legal obligation - procedure

- 5.6.1 Payments of this nature must be approved by the Deputy Director of Human Resources for employment related matters, the Legal Department Manager for personal injury claims and the Director of Finance for any other such payments. Supporting documentation must be signed off by the appropriate departmental heads, and forwarded to the Chief Financial Accountant for filing in the losses register.

5.7 Ex gratia payments - procedure

- 5.7.1 Ex gratia payments relating to employment matters or personal injury claims should be recorded and approved in the same way as compensation payments made under legal obligation – see above.
- 5.7.2 Ex gratia payments relating to patients' property or maladministration claims are usually initiated by Patient Affairs or the Chief Executive's office, who receive claim forms from patients or their family. Claims must be approved by the Director of Nursing or his delegated deputy before being forwarded to the Chief Financial Accountant for finance approval and payment. Payment can only be made if reasonable evidence is provided to support the value of the claim, in accordance with the policy on [Patients' Property](#).

6 Document Ratification Process

The design and process of review and revision of this procedural document will comply with The Development and Management of Formal Documents.

The review period for this document is set at five years from the date it was last ratified, or earlier if developments within or external to the Trust indicate the need for a significant revision to the procedures described.

This document will be reviewed by the Audit Committee and ratified by the Director of Finance.

Non-significant amendments to this document may be made, under delegated authority from the Director of Finance, by the nominated author. These must be ratified by the Director of Finance and should be reported, retrospectively, to the Audit Committee.

Significant reviews and revisions to this document will include a consultation with named groups, or grades across the Trust. For non-significant amendments, informal consultation will be restricted to named groups, or grades who are directly affected by the proposed changes.

7 Dissemination and Implementation

Following approval and ratification, this procedural document will be published in the Trust's formal documents library and all staff will be notified through the Trust's normal notification process, currently the 'Vital Signs' electronic newsletter.

Document control arrangements will be in accordance with The Development and Management of Formal Documents.

The document author(s) will be responsible for agreeing the training requirements associated with the newly ratified document with the Director of Finance and for working with the Trust's training function, if required, to arrange for the required training to be delivered.

8 Monitoring and Assurance

The Chief Financial Accountant will ensure that all losses over the de minimis value are presented with the appropriate checklist.

A record of losses and special payments will be presented at each meeting of the Audit Committee.

Any Losses and Special Payments may be selected for testing by the Trust's External Auditors.

9 | **Reference Material**

[Department of Health Finance Manual – 12 Losses and Special Payments](#)

[Counter Fraud Policy](#)

[Management of Patients Property Policy](#)

[Salary Overpayments/Underpayments Policy](#)

Losses of cash/payroll overpayments – checklist to be completed for losses exceeding £5,000
1. Record the amount involved and the reasons why the loss arose.
2. If applicable, provide detailed breakdown of salary or other errors (including where calculations wrong). What were the errors made?
3. Can the loss be recovered? Provide details of the attempts that have been made to recover the loss (including legal action) or explain why no action has been taken.
4. In fraud cases enter date of completion of fraud report.
5. Consider whether the Local Security Management Specialist should be informed. If not give reasons why not.
6. Identify any failings in the actions of employees, including supervisors. Having considered this, is there a need for disciplinary action? Record what action has been taken or is proposed, or if no action is to be taken, explain why. Include dates, names of individuals and positions.
7. Was there any apparent breakdown of procedures? Detail weakness or fault in system of control or supervision.
8. What proposed improvements have been put forward to correct defects in the existing

systems or procedures? Include the timetable for implementation of the improvements. What monitoring measures have been introduced to ensure the improvements are working effectively?

9. Is it necessary to inform the board/chief executive ? If not, why not?

10. I have considered fully each point on this checklist and my findings are recorded in the attached case summary and/or in the spaces above. I confirm that the details recorded above and on the attached case summary, are complete and accurate, and that all aspects of the checklist have been properly considered and actioned.

Service Line Manager Name -

Date -

Service Line Manager Signature -

11. I confirm that the above details are complete and accurate and all aspects of the checklist have been properly considered and actioned. I agree that write off of this loss offers the best value for money for this case.

* This case is not novel, contentious or repercussive. I therefore agree to write off of the loss.

* This case is novel, contentious or repercussive) and I therefore request formal approval from the Treasury.

**delete as appropriate*

Chief Financial Accountant Name -

Chief Financial Accountant Signature -

Date –

Director of Finance Name -

Director of Finance Signature -

Date –

Fruitless Payments, including Capital Schemes - checklist to be completed for losses exceeding £5,000

1. Record the amount involved and the reasons why the loss arose.

2. For abandoned works were detailed specifications identified before the scheme went ahead? How did the projected work compare to these detailed specifications? At what level, by whom, and why was the scheme approved?

3. For abandoned works why was the scheme abandoned and by whom? Could the scheme have been aborted earlier?

4. For abandoned works was the scheme joint financed? If so, was any agreement signed? Was legal advice taken in the drawing up of an agreement? Is the other party prepared to pay half of the costs of the scheme?

<p>5. Can any monies be recovered, for example, by action against professional advisors if they were considered negligent? Provide details of the attempts that have been made to recover the loss (including legal action) or explain why no action has been taken.</p>
<p>6. Identify any failings in the actions of employees, including supervisors. Having considered this, is there a need for disciplinary action? Record what action has been taken or is proposed, or if no action is to be taken, explain why. Include dates, names of individuals and positions.</p>
<p>7. Was there any apparent breakdown of procedures? If so, detail the weakness or fault in system of control or supervision.</p>
<p>8. What proposed improvements have been put forward to correct defects in the existing systems or procedures. Include timetable for implementation of the improvements. What monitoring measures have been introduced to ensure the improvements are working effectively?</p>
<p>9. Is it necessary to inform the board / chief executive ? If not, why not?</p>
<p>10. I have considered fully each point on this checklist and my findings are recorded in the attached summary and/or in the spaces above. I confirm that the details recorded above and on the attached case summary, are complete and accurate, and that all aspects of the checklist have been properly considered and actioned.</p> <p>Budget Holder (or Project Manager) Name –</p>

Budget Holder (or Project Manager) Signature –

Date -

11. I confirm that the above details are complete and accurate and all aspects of the checklist have been properly considered and actioned. I agree that write off of this loss offers the best value for money for this case.

* This case is not novel, contentious or repercussive. I therefore agree to write off of the loss.

* This case is novel, contentious or repercussive) and I therefore request formal approval from the Treasury.

**delete as appropriate*

Chief Financial Accountant Name –

Chief Financial Accountant Signature –

Date -

****For Capital Projects Only**

**Associate Director of Finance Name –

**Associate Director of Finance Signature –

**Date -

Director of Finance Name –

Director of Finance Signature –

Date -

Bad Debts - checklist to be completed for losses exceeding £5,000
1. Record the amount involved and the reasons why the loss arose.
2. Were invoices raised on a regular basis? Was the debt monitored and chased regularly? Were services withdrawn upon continued non-payment? Enclose report showing when invoices were raised and where relevant paid.
3. For cases involving businesses - has the business gone into liquidation/receivership? If so, are you listed as a creditor and do you have confirmation of this from the liquidator/receiver? If not, why not? Are any dividends being paid out?
4. For cases involving businesses - was the financial integrity of the business looked into before goods or services were supplied? If not, why not and have procedures been revised to ensure this is carried out in the future?
5. For rental cases only - were lease agreements entered into prior to occupation by the tenant? If not, why not? If the lease was faulty investigate whether action can be taken against legal advisors who drew up the agreement? Provide an analysis of rent and services charges.
6. For overseas visitor/private patients cases was an undertaking to pay signed? If not, why not? Was a full estimate of potential costs given and full deposit taken to cover these costs? If not, why not?

<p>7. For overseas visitor and/or overseas private patients cases - have the relevant embassies been contacted for payment (if applicable)?</p>
<p>8. Have all reasonable steps been taken to recover the loss? Provide details of the attempts that have been made to recover the debt including legal action and any debt recovery agencies used, or explain why no action has been taken.</p>
<p>9. Identify any failings in the actions of employees, including supervisors. Having considered this, is there a need for disciplinary action? Record what action has been taken or is proposed, or if no action is to be taken, explain why. Include dates, names of individuals and positions.</p>
<p>10. Was there any apparent breakdown in procedures ? If so, detail the weakness or fault in system of control or supervision.</p>
<p>11. What proposed improvements have been put forward to correct defects in the existing systems or procedures? Include the timetable for implementation of the improvements. What monitoring measures have been introduced to ensure the improvements are working effectively?</p>
<p>12. Is it necessary to inform the board / chief executive? If not, why not ?</p>

13. I have considered fully each point on this checklist, and my findings are recorded in the attached summary and/or in the spaces above. I confirm that the details recorded above, and on the attached summary, are complete and accurate, and that all aspects of the checklists have been properly considered and actioned.

Treasury Team Leader Name –

Treasury Team Leader Signature –

Date -

14. I confirm that the above details are complete and accurate and all aspects of the checklist have been properly considered and actioned. I agree that write off of this loss offers the best value for money for this case.

* This case is not novel, contentious or repercussive. I therefore agree to write off of the loss.

* This case is novel, contentious or repercussive) and I therefore request formal approval from the Treasury.

**delete as appropriate*

Chief Financial Accountant Name –

Chief Financial Accountant Signature –

Date -

Director of Finance Name –

Director of Finance Signature –

Date -

Checklist For Damage to Buildings, their Fittings, Furniture and Equipment and Loss of Equipment and Property in Stores and in Use over £5,000

Appendix 4

Damage to Buildings, their Fittings, Furniture and Equipment and Loss of Equipment and Property in Stores and in Use - checklist to be completed for losses exceeding £5,000.

1. Record the amount involved and the reasons why the loss arose.

2. Was fraud involved? If so enter dates of completion of fraud report.

3. Was theft involved? If so has the Local Security Management Specialist been informed? If not, give reasons why not?

4. What actions including legal action have been taken to recover the loss? If none, give reasons why?

5. Stores (only) - Is the total loss more than 5% of the total stock value? Confirm that the loss has been valued at book value less net disposal proceeds.

6. Is the value of the loss reduced by insurance? If so, record the value of the gross loss and the value of the amount recovered by insurance.

<p>7. Identify any failings in the actions of employees, including supervisors. Having considered this, is there a need for disciplinary action? Record what action has been taken or is proposed, or if no action is to be taken, explain why. Include dates, names of individuals and positions.</p>
<p>8. Was there any apparent breakdown of procedures? If so detail the weakness or fault in system of control or supervision.</p>
<p>9. What proposed improvements have been put forward to correct defects in the existing systems or procedures? Include timetable for implementation of the improvements. What monitoring measures have been introduced to ensure the improvements are working effectively?</p>
<p>10. Is it necessary to inform the Board/ Chief Executive? If not, why not?</p>
<p>11. Do your SFIs require a Board report for this case? If so, please enclose the report. If not, in light of this case consider whether your SFIs should be amended to require a Board report in such cases?</p>
<p>12. I have considered fully each point on this checklist and my findings are recorded in the attached case summary and/or in the spaces above. I confirm that the details recorded above, and on the attached case summary, are complete and accurate, and that all aspects of the checklist have been properly considered and actioned.</p> <p>Operational Manager Name –</p> <p>Operational Manager Signature –</p> <p>Date -</p>

13. I confirm that the above details are complete and accurate and all aspects of the checklist have been properly considered and actioned. I agree that write off of this loss offers the best value for money for this case.

* This case is not novel, contentious or repercussive. I therefore agree to write off of the loss (notifying NHS Litigation Authority for any losses approaching £20,000).

* This case is novel, contentious or repercussive) and I therefore request formal approval from the Treasury.

** delete as appropriate*

Chief Financial Accountant Name -

Chief Financial Accountant Signature -

Date -

****For Stock Write-Offs Only**

**Chief Procurement Officer Name -

**Chief Procurement Officer Signature -

**Date -

Director of Finance Name -

Director of Finance Signature -

Date -